IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION

SOVERAIN SOFTWARE LLC, Plaintiff, v. ORACLE CORPORATION, ORACLE OTC SUBSIDIARY LLC, BEST BUY CO., INC., BESTBUY.COM, LLC, NEIMAN MARCUS, INC., THE NEIMAN MARCUS GROUP, INC., BERGDORFGOODMAN.COM, LLC, and OFFICE MAX, INC. Defendants.	§ § § § § § § § § § § § §	Civil Action No. 6:12-cv-141[1] JURY TRIAL DEMANDED

PLAINTIFF SOVERAIN SOFTWARE LLC'S RESPONSE IN OPPOSITION TO DEFENDANTS' MOTION FOR SUMMARY JUDGMENT OF INVALIDITY

[1] Cases consolidated for pre-trial proceedings (except for venue) are: Case No. 6:12-cv-142, Case No. 6:12-cv-143, Case No. 6:12-cv-144, Case No. 6:12-cv-145, Case No. 6:12-cv-146, Case No. 6:12-cv-147, Case No. 6:12-cv-148, Case No. 6:12-cv-149, Case No. 6:12-cv-150, Case No. 6:12-cv-151, Case No. 6:12-cv-152, No. 6:12-cv-153.

Table of Contents

I. Introduction 1

II. Response to Defendants' Statement of the Issues 3

III. Factual Background 3

A. Soverain and the Patents-in-Suit 3

B. The *Amazon* Litigation and Related Reexamination Proceedings 4

C. The *Newegg* Litigation 4

D. The *Avon-Victoria's Secret* Litigation 7

E. The Present Cases 8

IV. Legal and Factual Disputes Preclude Summary Judgment of Obviousness on the So-Called "Elected Claims" 9

1. Claim Construction Disputes Preclude Summary Judgment 10

2. Questions of Material Fact Preclude Summary Judgment 12

V. The *Newegg* Decision Has No Collateral Estoppel Effect 15

A. Collateral Estoppel Requires a Full and Fair Opportunity to Litigate the Issue 15

B. The Federal Circuit Panel's *Sua Sponte* Determination Deprived Soverain of a Full and Fair Opportunity to Litigate Obviousness 18

VI. Defendants Have Not Met Their Burden to Prove Invalidity by Clear and Convincing Evidence 25

A. Soverain Is Entitled to Trial on Claims 34, 35, and 51 of the '314 Patent 26

B. Defendants' Word Play Cannot Support Summary Judgment on the Remaining Claims 27

C. Summary Judgment Does Not Apply to Soverain's Additional Claims 30

VII. Conclusion 30

Table of Authorities

Cases

ACQIS LLC v. Appro Intern., Inc.,
2011 WL 382556 (E.D. Tex. Feb. 3, 2011) 11

Banner v. United States,
238 F.3d 1348 (Fed. Cir. 2001) 15, 25

Bendet v. Sandoz Pharms. Corp.,
308 F.3d 907 (8th Cir. 2002) 19

Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.,
402 U.S. 313 (1971) 16, 18

Copeland v. Merrill Lynch & Co.,
47 F.3d 1415 (5th Cir. 1995) 16, 17, 18

Eli Lilly and Co. v. Barr Labs., Inc.,
251 F.3d 955 (Fed. Cir. 2001) 29

Graham v. John Deere Co.,
383 U.S. 1 (1996) 26

Hardy v. Johns-Manville Sales Corp.,
681 F.2d 334 (5th Cir. 1982) 17

In re Freeman,
30 F.3d 1459 (Fed. Cir. 1994) 15

Innovad, Inc. v. Microsoft Corp.,
260 F.3d 1326 (Fed. Cir. 2001) 17, 24

Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.,
719 F.3d 1367 (Fed. Cir. 2013) 15, 16, 17

Lindsey v. Prive Corp.,
161 F.3d 886 (5th Cir. 1998) 17

Marine Polymer Techs., Inc. v. HemCom, Inc.,
672 F.3d 1350 (Fed. Cir. 2012) (*en banc*) 11

Markman v. Westview Instruments, Inc.,
52 F.3d 967 (Fed. Cir. 1995) 12

Montana v. United States,
440 U.S. 147 (1979) 17

New York Life Ins. Co. v. Brown,
84 F.3d 137 (5th Cir. 1996) 19

O2 Micro Int'l Ltd. v. Beyond Innovation Co., Ltd.,
521 F.3d 1351 (Fed. Cir. 2008).. 12

Ohio Willow Wood Co. v. Alps South, LLC,
735 F.3d 1333 (Fed. Cir. 2013).. 29

Pactiv Corp. v. Dow Chem. Co.,
449 F.3d 1227 (Fed. Cir. 2006).. 19

Parklane Hosiery v. Shore,
439 U.S. 322 (1979)... 17

Perry v. New Hampshire,
132 S. Ct. 716 (2012)... 23

Prosise v. Haring,
667 F.2d 1133 (4th Cir. 1981) 16, 18

Smith v. Bray,
681 F.3d 888 (7th Cir. 2012) 19

Soverain Software LLC v. J.C. Penney Corp., Inc.,
899 F. Supp. 2d 574 (E.D. Tex. 2012).. 7

Soverain Software LLC v. Newegg Inc.,
134 S.Ct. 910 (2014)... 7

Soverain Software LLC v. Newegg Inc.,
515 Fed. Appx. 883 (Fed. Cir. 2013).. 7

Soverain Software LLC v. Newegg Inc.,
705 F.3d 1333 (Fed. Cir. 2013).. 6, 20, 22, 29

Soverain Software LLC v. Newegg Inc.,
728 F.3d 1332 (Fed. Cir. 2013)... 7

Soverain Software LLC v. Newegg Inc.,
836 F. Supp. 2d 462 (E.D. Tex. 2010).. 6

Stevenson v. Sears, Roebuck & Co.,
713 F.2d 711 (Fed. Cir. 1983).. 17, 26, 27

TriMed, Inc. v. Stryker Corp.,
608 F.3d 1333 (Fed. Cir. 2010).. 28

Other Authorities

18 WRIGHT & MILLER § 4423 (1981) 25

18A WRIGHT, MILLER & COOPER § 4465.2 (2d ed. 2002) 17

RESTATEMENT (SECOND) JUDGMENTS § 28 .... 16, 26

RESTATEMENT (SECOND) JUDGMENTS § 29 25

Rules

FED. CIR. INTERNAL OP. P. 13 25

FED. R. CIV. P. 56 29

I.
Introduction

On February 25, 2014, this Court ordered the Defendants to submit a motion for summary judgment "limited to the sole issue of whether the remaining asserted claims are invalid as a matter of law in light of the decisions by the U.S. Court of Appeals for the Federal Circuit in Soverain Software v. Newegg, Case No. 2011-1009, and the prior art cited therein." Dkt. No. 148. Defendants' Motion goes beyond the ordered briefing and argues that even if Soverain is **not** collaterally estopped, every claim asserted in this case is obvious as a matter of law. In so arguing, Defendants ask this Court to ignore several material legal and factual disputes, to dispense with the requirement for summary judgment evidence, and to hold prematurely that no reasonable jury would find in Soverain's favor. Defendants' Motion must be denied.

Part II of this Response addresses Defendants' Statement of the Issues, and Part III provides a brief summary of the factual background of this case and prior litigations.

Part IV highlights the legal and factual deficiencies in Defendants' overreaching request for summary judgment on six claims completely untouched by the *Newegg* decision, *i.e.*, the so-called "Elected Claims."[2] Material legal and factual disputes clearly preclude summary judgment on these six claims. Most critically, this Court must construe several claim terms before turning to questions of validity. Defendants urge this Court to abdicate its claim construction duties and adopt the unsupported constructions of their declarant Mr. Trevor, but his theories are no substitute for a reasoned claim construction opinion issued by this Court after full *Markman* briefing. What's more, Defendants play fast and loose with the record in the prior case and resort to depicting attorney argument as evidence. Mr. Trevor purports to bridge the chasm

[2] The Elected Claims are claims 49, 74, 84, 109, 134, and 144 of the '314 Patent.

between the prior art and the six Elected Claims, but several questions of material fact exist, as highlighted by the declaration of Soverain's expert, Dr. Rhyne. Because of these disputes of material fact and unanswered questions of law, Defendants cannot meet their burden to demonstrate that the six Elected Claims are obvious as a matter of law.

Part V explains how the substantive, procedural, and evidentiary irregularities in the Federal Circuit's *Newegg* decision eviscerate Defendants' collateral estoppel argument. During the *Newegg* appeal, Soverain was defending a judgment as a matter of law of non-obviousness against Newegg's express and limited request for a remand for a jury trial. Neither Newegg nor the Federal Circuit panel made it clear that Soverain was at risk of having judgment directed against it. Accordingly, Soverain did not present evidence of the factual disputes underlying obviousness that would have precluded the panel's *sua sponte* summary invalidation of certain claims. Had Soverain been given such notice, it would have pointed to disputed evidence precluding judgment as a matter of law. Because Soverain was denied a full and fair opportunity to litigate the obviousness of those claims, the Federal Circuit's *Newegg* decision does not have collateral estoppel effect.

Part VI conclusively rebuts Defendants' argument that even if there is no collateral estoppel, the remaining asserted claims are "similar enough" to the *Newegg* claims to warrant summary judgment. Defendants make no effort to adduce any evidence in support of their argument – nothing from Mr. Trevor even. Piggy-backing attorney argument onto a Federal Circuit opinion that says nothing about many of the limitations in the asserted claims cannot support summary judgment. Part VI also rebuts Defendants' contention that *stare decisis* controls, and identifies the additional claims that Soverain may assert going forward.

II.
Response to Defendants' Statement of the Issues

Plaintiff Soverain Software LLC ("Soverain") agrees that one of the issues before the Court is "whether the Federal Circuit's final judgment in *Newegg*" collaterally estops Soverain from contesting the invalidity of certain claims. Soverain disagrees that the subject matter of the *Newegg* claims is identical to the subject matter of the claims in this case, as Defendants suggest. Soverain likewise disagrees that an issue is whether the Elected Claims are obvious "in view of *Newegg*." It is undisputed that the *Newegg* decision does not affect the six Elected Claims.

III.
Factual Background

A. Soverain and the Patents-in-Suit

Soverain provides enterprise software and services used by blue-chip companies worldwide as the platform for their e-commerce operations. In addition, Soverain owns a portfolio of fifty U.S. and international patents covering a broad range of Internet-related technologies, and has licensed its patents to over a dozen of the largest Internet retailers.

Soverain's patented technology was developed by the software pioneer Open Market, Inc., which filed the original application leading to the patents-in-suit in 1994, before anyone had heard of Amazon, eBay, or Newegg. The patented inventions were incorporated into Open Market's "Transact" software product, which was embraced by some of the largest companies in the world, including AT&T, Sony, and Disney. By the late 1990s, Open Market commanded a third of the global e-commerce software market.

Soverain alleges that the Defendants infringe several claims ("the Asserted Claims") of U.S. Patent Nos. 5,715,314 ("the '314 patent") and 5,909,492 ("the '492 patent") (collectively, the "patents-in-suit"). The patents-in-suit are directed to critical e-commerce functionality. The patents-in-suit have each been reexamined twice by the U.S. Patent and Trademark Office, with all original claims being confirmed and many new claims added.

B. The *Amazon* Litigation and Related Reexamination Proceedings

The two patents-in-suit were previously asserted against Internet retailers Amazon and Gap in a suit filed in January 2004. This Court presided over that case, and issued a *Markman* ruling construing 46 claims terms, mostly favoring Soverain and its infringement positions. After conducting extensive discovery, filing numerous motions for summary judgment, and seeking reexamination of the Soverain patents-in-suit, Amazon settled with Soverain on the eve of trial.

In 2007, the U.S. Patent and Trademark Office ("PTO") issued reexamination certificates, confirming the patentability of all the claims in the two patents-in-suit, without amendment. Among the references that the PTO found failed to anticipate or render obvious any of the claims of the patents-in-suit, asserted or otherwise, was the same CompuServe Mall system asserted in *Newegg* and in this case.

C. The *Newegg* Litigation

In November 2007, Soverain filed a second infringement action asserting the two patents-in-suit against five major Internet retailers, including Newegg. This Court presided over that case as well, issuing a *Markman* Order construing 29 terms and affirming its prior *Markman* rulings from the *Amazon* suit.

This second case proceeded to trial against Newegg in April 2010. At trial, Soverain argued that Newegg infringed claims 35 and 51 of the '314 patent and claims 17, 41, and 61 of the '492 patent. Among other defenses, Newegg argued that the asserted claims were invalid as obvious over CompuServe Mall. During trial Newegg depended heavily on its first-time expert, Edward Tittel ("Tittel"), to bridge the gap between CompuServe Mall user manuals—which provided scant detail on how the system worked—and the asserted claims. Tittel was thoroughly discredited on cross-examination. He admitted that he failed to conduct an element-by-element comparison, failed to apply this Court's claim constructions, failed to review the relevant prosecution histories, and did not prepare an opinion on the question of obviousness.

By contrast, Soverain's expert, Dr. Shamos, explained that the CompuServe Mall did not use "product identifiers," a "shopping cart database" as disclosed in the shopping cart claims or "hypertext links" for retrieving order history as disclosed in the hypertext claims. Dr. Shamos testified that the CompuServe guides described different systems in operation at different times, and that Newegg's witnesses had cobbled together disparate, isolated portions of multiple separate references as evidence of invalidity of the asserted claims and relied on impermissible hindsight in doing so. Dr. Shamos also testified that secondary considerations of nonobviousness further confirmed the patents' validity. Newegg's witnesses failed to address any secondary considerations.

At the close of Newegg's case, Soverain moved for judgment as a matter of law under FRCP 50(a) that the patents-in-suit were not obvious. This Court granted Soverain's Rule 50(a) motion from the bench, stating: "I don't think it's a close call on obviousness. I don't think there's sufficient testimony to present an obviousness case to the jury." Exhibit A (Apr. 30, 2010 trial transcript). The jury found that Newegg induced infringement of the two patents-in-suit (the same patents asserted here) and that Newegg had not shown that the patents-in-suit were anticipated by the prior art. The jury awarded Soverain $2.5 million in damages for Newegg's infringement.

In its post-trial briefing, Newegg renewed its motion for judgment as matter of law of obviousness. This Court again rejected Newegg's defense, concluding that "Newegg did not meet its burden of establishing a *prima facie* case of obviousness of the asserted claims." *Soverain Software LLC v. Newegg Inc.*, 836 F. Supp. 2d 462, 479 (E.D. Tex. 2010). This Court added that "the Court stands by its prior decision granting Soverain's motion for JMOL on obviousness." *Id.* In other post-trial rulings, this Court found Soverain's patents valid and infringed, affirmed the jury's damages award, awarded a 1.7X enhanced royalty rate for the two patents-in-suit, and ordered a new trial on damages for the third patent. *Id.* at 475.

Newegg appealed. As to obviousness, Newegg argued that this Court had erred by refusing to submit the issue to the jury, and requested only a new trial—not judgment as a matter of law—as to obviousness. Under the heading titled "THE DISTRICT COURT ERRED BY REFUSING TO SUBMIT OBVIOUSNESS TO THE JURY," Newegg narrowly argued that "it was error to refuse to submit the issue of obviousness to the jury, and Newegg is entitled to a new trial on obviousness." Dkt. No. 180-5 at 43. While Newegg's appeal was pending, the PTO completed its second round of reexaminations of the patents-in-suit over, *inter alia*, the CompuServe system (Bowen) relied upon by Newegg, and reaffirmed all of the asserted claims without amendment.

On January 22, 2013, after a 17-month delay, the Federal Circuit panel issued its decision in *Newegg*. *Soverain Software LLC v. Newegg Inc.*, 705 F.3d 1333 (Fed. Cir. 2013). The panel acknowledged that Newegg requested only a remand for a jury determination of obviousness, but nonetheless *sua sponte* found the asserted claims (and one unasserted claim) obvious as a matter of law. *Id.* at 1336, 1341, 1344.

Soverain filed a petition for rehearing and rehearing *en banc*, arguing that the panel impermissibly "resolve[d] genuinely disputed issues of fact and fill[ed] evidentiary gaps in the trial record in order to make a finding of obviousness in the first instance." Dkt. No. 180-7 at 1. Soverain "urge[d] the panel to reconsider its disposition and remand the case for a jury trial on obviousness, which is the only relief Newegg actually requested on appeal." *Id*. at 2. On June 13, 2013, the panel issued a *per curiam* order that directed supplemental briefing only with respect to the treatment of unasserted claim 34 and its relationship to asserted dependent claim 35. *Soverain Software LLC v. Newegg Inc*., 515 Fed. Appx. 883 (Fed. Cir. 2013). On September 4, 2013, the panel granted rehearing for the limited purpose of clarifying that claim 35 was invalidated as well. *Soverain Software LLC v. Newegg Inc*., 728 F.3d 1332, 1335 (Fed. Cir. 2013). Soverain's petition for rehearing *en banc* was denied that day. Soverain filed a petition for a *writ of certiorari*. In a one-sentence ruling, the Supreme Court denied Soverain's petition without addressing any of the merits of Soverain's petition. *Soverain Software LLC v. Newegg Inc*., 134 S.Ct. 910 (2014).

D. The *Avon-Victoria's Secret* Litigation

Soverain brought its third infringement suit in this District on June 2009, alleging infringement of the two patents-in-suit by Avon, Victoria's Secret, and eight other major Internet retailers. As before, Soverain reached licensing arrangements with most of the defendants.

The case proceeded to trial against Avon and Victoria's Secret in November 2011. The jury found that Avon and Victoria's Secret had both infringed all five of the asserted claims and that none of the asserted claims was invalid. The jury awarded Soverain damages in the amount of $8.7 million against Avon and $9.2 million against Victoria's Secret's. In post-trial rulings, Judge Davis affirmed the jury's verdict and damages award, and awarded Soverain a 2.5X enhanced royalty rate through the life of the patents. *Soverain Software LLC v. J.C. Penney Corp., Inc.*, 899 F. Supp. 2d 574, 589 (E.D. Tex. 2012).

Avon and Victoria's Secret appealed in September 2012. The Federal Circuit panel issued its decision in the *Newegg* appeal on the same day that Avon's and Victoria's Secret's opening appeal briefs were due. At the parties' request, the Avon and Victoria's Secret appeals were stayed pending the outcome of the *Newegg* appeals. Briefing has recently resumed.

E. The Present Cases

Soverain sued the present Defendants on March 14, 2012 alleging infringement of the patents-in-suit. This Court consolidated the initial thirteen cases for pre-trial purposes and *Markman*.[3] After the Federal Circuit issued its opinion in *Newegg*, this Court stayed the case pending Soverain's petition for rehearing *en banc* by the Federal Circuit and its petition for *certiorari* by the Supreme Court. In February 2014, this Court lifted the stay and issued a new docket control order. Dkt. No. 148.

As required by that docket control order, on March 17, 2014, Soverain gave notice that it would continue to assert the claims disclosed in its L.R. 3-1 infringement contentions until a final ruling on the collateral estoppel issues currently before the Federal Circuit. Soverain confirmed that it continues to allege (1) that Defendants infringe claims 34-39, 49-51, 60, 61, 65, 74, 84, 109-111, 120, 121, 134, 144 of the '314 Patent; (2) that Defendants infringe claims 16, 18, 36, 74, 75, 92, 101-103 of the '492 Patent; and (3) that the eBay Defendants in Case No. 6:12-cv-143 also infringe claims 1, 2, 9, 12, 13, 24, and 25 of the '314 Patent and claim 5 of the '492 Patent. Dkt. No. 156.

Soverain also thoroughly analyzed the claims to determine which would be unaffected by any prior decisions, and added that it would continue to assert claims 49, 74, 84, 109, 134, and 144 of the '314 Patent against Defendants (and claims 1, 2, 9, 12, 13, 24, and 25 of the '314 Patent and claim 5 of the '492 Patent against the eBay Defendants) regardless of an adverse

[3] In November 2012, Soverain reached a licensing agreement with one of the defendants, Grainger, and dismissed its case. Dkt. No. 76. In April 2014, Soverain reached a licensing agreement with the Oracle Defendants in the lead case, 6:12-cv-141, and dismissed its claims against the Oracle Defendants. Dkt. No. 176.

decision on the collateral estoppel question. *Id.* at 2. Soverain also disclosed that it may seek leave to assert claim 1 of the '314 Patent and claims 5, 10, 30, 33, 34, 38, 90, 91, 104, 105, 106, and 108 of the '492 Patent against the Defendants. *Id.* at 4-5.

IV.
Legal and Factual Disputes Preclude Summary Judgment of Obviousness on the So-Called "Elected Claims"

Defendants requested, and this Court allowed, briefing on the collateral estoppel effect of the Federal Circuit's *Newegg* decision. In their Motion, however, Defendants agree with Soverain that claims 49, 74, 84, 109, 134, and 144 of the '314 Patent (the "Elected Claims") are unaffected by *Newegg*. They concede at 17 that the additional limitations added by these dependent claims "were not at issue in the *Newegg* litigation." Instead of likewise conceding that summary judgment is thus premature as to the Elected Claims, Defendants argue that they "are trivial and well-known functions or features that would have been obvious to a person skilled in the art…." *Id.*

Defendants' obviousness argument rests on disputed and one-sided claim constructions issued by their declarant Mr. Trevor, not by this Court. Claim construction is a question of law exclusively for this Court, and those questions must be answered before determining whether the Elected Claims are obvious as a matter of law. For example, this Court must determine how much weight to give the declaration of Mr. Trevor – a former CompuServe executive whose current business revolves around invalidating software patents.[4] These claim construction disputes alone preclude summary judgment. But, even if Mr. Trevor's incorrect constructions

[4] Mr. Trevor and his firm Nuvocom have been retained in numerous attempts to invalidate the patents-in-suit before various courts and agencies. He submitted several declarations to the PTO during the four failed attempts to invalidate the patents-in-suit during reexamination proceedings. He also testified at the *Newegg* trial, which resulted in a validity finding. His associate later testified at the *Avon-Victoria's Secret* trial, which also resulted in a validity finding.

are given deference – something which this Court should not do – remaining material factual disputes preclude summary judgment.

1. Claim Construction Disputes Preclude Summary Judgment

In his declaration, Mr. Trevor includes a section titled "Claim Construction." Dkt. No. 180-13 at ¶¶ 31-39. In most expert declarations, this section is typically a summary of the Court's claim construction order. Not in this case. Here, Mr. Trevor preempts the *Markman* process, usurps this Court's authority, and takes it upon himself to construe a few claim terms.

Claims 49 and 109 include the term "causes the payment message to be activated." Mr. Trevor posits that because this Court previously construed "payment message" and "to cause [the] payment message to be activated to initiate a payment transaction," he is free to conclude that "causes the payment message to be activated" means "causing an action associated with the payment message." Dkt. No. 180-13 at ¶ 32. Mr. Trevor cites no intrinsic or extrinsic evidence to support this construction, nor does he attempt to explain what "actions" may be "associated with the payment message." He completely ignores the portion of this Court's earlier construction that includes a limitation on the action, *i.e.*, that the action initiates a payment transaction, not to mention the portion of the claim that says "to be activated." As Soverain's expert Dr. Rhyne explains:

> The problem with Mr. Trevor's proposed construction is that he has omitted the requirement imposed on the "activation" of the "payment message" by claims 34 and 39, that requirement being that the "activation" must result in "initiat[ing] a payment transaction for said plurality of products added to said shopping cart." The same requirement is present in claims 49 and 109, as made explicitly clear by the claim language. Under Mr. Trevor's proposed construction that requirement is ignored, opening the claims to any sort of "action associated with [the] payment message."

Exhibit B at ¶ 35. Once Mr. Trevor throws out the purpose of the claim, his "causing an action" construction effectively equates to "something happens."

Mr. Trevor also purports to construe the term "payment confirmation document" in claims 74 and 134. He cites the specification of the '314 Patent and ostensibly applies the doctrine of claim differentiation to conclude that the "payment confirmation document" need not contain an "open" link or a "continue" link. *Id.* at ¶¶ 33-34. He then declares that a person of ordinary skill in the art would understand that the term "encompasses one or more messages that seeks confirmation of payment details already known or that requests that the user provide payment information, but before submitting a payment." *Id.*

As this Court has recognized, "the doctrine of claim differentiation is not a hard and fast rule, and courts cannot use the doctrine to broaden claims beyond their correct scope, determined in light of the intrinsic record and relevant extrinsic evidence." *ACQIS LLC v. Appro Intern., Inc.*, 2011 WL 382556, at *2 (E.D. Tex. Feb. 3, 2011); *see also Marine Polymer Techs., Inc. v. HemCom, Inc.*, 672 F.3d 1350, 1359 (Fed. Cir. 2012) (en banc) ("As we have held, claim differentiation is not a hard and fast rule and will be overcome by a contrary construction dictated by the written description or prosecution history."). As Dr. Rhyne explains, the specification's description of "payment confirmation document" is relevant intrinsic evidence of the scope of the claim and its construction. Exhibit B at ¶ 41. A person of ordinary skill in the art would not necessarily adopt Mr. Trevor's a two-part construction of the term "payment confirmation document." *Id.*

Claims 84 and 144 are not immune from claim construction disputes. Mr. Trevor did not feel the need to self-construe any terms in these claims, but this Court must determine what is required in an "account name and password request message" and what it means for "an account name and password request message to be transmitted" "in response to the plurality of shopping cart messages," as the claims state. Mr. Trevor contends at ¶ 74 that these two claims "recite[] a temporal limitation" to the claims, but he does not describe what that means by "temporal limitation" or how that affects the scope of the claims.

The Federal Circuit made clear in *O2 Micro Int'l Ltd. v. Beyond Innovation Co., Ltd.*, 521 F.3d 1351, 1360 (Fed. Cir. 2008) that the "purpose of claim construction is to 'determine the meaning and scope of the patent claims asserted to be infringed.' When the parties raise an actual dispute regarding the proper scope of these claims, the court, not the jury, must resolve that dispute." (quoting *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 976 (Fed. Cir. 1995)); *see also id*. at 1362 ("When the parties present a fundamental dispute regarding the scope of a claim term, it is the court's duty to resolve it."). In this case, the parties dispute the construction of these and other relevant terms in the Elected Claims. Because this Court must address these and likely other claim construction issues before it even reaches the merits of validity, summary judgment of obviousness is indisputably improper.

2. Questions of Material Fact Preclude Summary Judgment

Relying on his own (and likely faulty) constructions, Mr. Trevor concludes that claims 49, 74, 109, and 134 are "merely obvious variations over claims that have already been deemed invalid in view of the CompuServe Electronic Mall." Dkt. No. 180-13 at ¶ 67. In addition to the legal questions regarding the scope and content of the claims, factual disputes warrant denial of Defendants' premature and unsupported demand for summary judgment.

The parties dispute whether the prior art renders obvious the requirement that the "buyer computer activates the payment message by transmitting a message to the shopping cart computer that causes the payment message to be activated" as required by claims 49 and 109. Even if Mr. Trevor's flawed construction is corrected to reflect the purpose of the claims, *i.e.*, to cause a payment message to be activated, there is a fact issue as to whether the buyer computer transmits a message that causes the payment message to be activated. Mr. Trevor argues that "once an item is ordered in the Mall, the responsive message and screen include information about price." Dkt. No. 180-13 at ¶ 69. But simply including information about price does not transform a message into a payment message. Indeed, the screenshot on page 18 of Mr. Trevor's declaration also includes information about price. *Id*. at 18. Further, as Dr. Rhyne points out:

> Examination of the screen shots provided in the Trevor Declaration, however, shows that the depicted aspects of the CompuServe system have nothing to do with initiating a payment transaction for the products which have previously been selected by a user of that system by using the "O" key, something Mr. Trevor admits when he states that the price "will be later reflected in the payment message.". Mr. Trevor has used his overly broad construction as the fundamental basis for his assertion of obviousness.

Exhibit B at ¶ 36.

Mr. Trevor adds at ¶ 70 that even if CompuServe did not expressly disclose the elements of claims 49 and 109, the "broad idea of simply causing 'an action associated with the payment message' to be taken upon receipt of 'a message' is trivial" in light of core HTTP functionality. But, as discussed above, anything can be trivial when the claim requires nothing more than "something happens." Mr. Trevor's refusal to consider the purpose of the claim reflects the inadequacy of the prior art disclosure and his opinions. *Id*. at ¶¶ 37-38. At the very least, a jury should resolve this factual dispute.

Contrary to his bald conclusion, a person of ordinary skill in the art would not necessarily interpret "payment confirmation document" to mean what Mr. Trevor says it means. Dr. Rhyne explains:

> The impact of Mr. Trevor's proposal to sidestep having an "open" link and a "continue" link as part of the claimed "payment confirmation message" can readily be seen in ¶¶ 71 to 73 of his Declaration. His ¶ 71, for example, includes the statement that "[t]he payment confirmation document can be merely a screen confirming whether the customer seeks to now pay for the products in his or her shopping cart, and providing a URL payment message as a link to proceed to make such a payment." That argument is only available under Mr. Trevor's proposal to avoid the support for "payment confirmation document" provided in

> the '314 specification, however. If that description is considered limiting, Mr. Trevor's assertions of obviousness are inapplicable.

Exhibit B at ¶ 42. As discussed above, whether "that description is considering limiting" is a claim construction dispute exclusively for this Court.

Claim 84 discloses:

> A network-based sales system in accordance with claim 34, where in the shopping cart computer, **in response to the plurality of shopping cart messages**, causes an account name and password request message to be transmitted to the buyer computer.

(Emphasis added). As Mr. Trevor admits at ¶ 74, any account, password, or log-in information provided to the CompuServe Mall was provided "prior to accessing the system." This is because CompuServe charged users for access to its underlying network. Because any credentials were provided prior to accessing the system, they could not have been provided "in response to the plurality of shopping cart messages," as required by the claims.

Undeterred, Mr. Trevor proceeds to provide a largely uncorroborated and unsupported "explanation" of HTTP, including a comment that "User authentication in computer systems was commonly provided by means of userid and password combination." Dkt. No. 180-13 at ¶ 75-79. Mr. Trevor likewise provides nothing more than his *ipse dixit* to support his contention that it would have been obvious for a person of ordinary skill in the art to request userid/password after product selection "but prior to accessing payment information previously stored with the merchant (or electronic mall)." He points to the Gifford patent[5] as evidence of this userid/password combination, but Gifford's disclosed "authenticator" is optional, which would be at odds with the need for these types of credentials in the first place. According to Dr. Rhyne:

> In his ¶¶ 82 and 83 Mr. Trevor cites to Figure 4 of the Gifford reference, U.S. Patent No. 5,724,424, as allegedly providing early disclosure of a "payment

[5] The Gifford patent is Soverain's patent, and its specification was expressly incorporated by reference in the application leading to the patents-in-suit.

> confirmation document" that asked for an account name and password in the form of "Account Number 13" and "Authenticator 14." He failed to cite to the portion of the Gifford specification which explains that figure, however. That portion is found at 5:29-43. In that portion the Gifford patent (*see* 5:34) explains that the "Authenticator" is "optional," meaning that it is not a password field that must be supplied with a secret password in order to validate the account. No password-protected system that I have ever been associated with made entry of a user's password "optional."

Exhibit B at ¶ 45. Ultimately, though, whether CompuServe, Gifford, or any prior art render claims 84 and 144 obvious will necessarily depend on this Court's claim constructions.

V.
The *Newegg* Decision Has No Collateral Estoppel Effect

Collateral estoppel does not apply in this case because Soverain lacked a "full and fair opportunity to litigate" the non-obviousness of the claims asserted in *Newegg*. *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 719 F.3d 1367, 1371 (Fed. Cir. 2013). In *Banner v. United States*, 238 F.3d 1348, 1354 (Fed. Cir. 2001), the Federal Circuit explained that "in determining whether a party has had a 'full and fair' opportunity to litigate an issue, a court should look at … whether the party had an incentive to litigate fully the issue…." In *Newegg*, Soverain was seeking to preserve a judgment of non-obviousness against Newegg's limited request for a remand for a jury trial on obviousness. Had Newegg sought an outright finding of obviousness as matter of law, Soverain would have highlighted the significant portions of the underlying record demonstrating the material factual disputes, which would have easily foreclosed judgment as a matter of law in favor of Newegg. Because Soverain had no incentive "to litigate fully the issue" of obviousness, Defendants should not be allowed to rely on the *Newegg* decision to skirt demonstrating invalidity by clear and convincing evidence.

A. Collateral Estoppel Requires a Full and Fair Opportunity to Litigate the Issue

Collateral estoppel is an equitable doctrine "premised on principles of fairness." *In re Freeman*, 30 F.3d 1459, 1467 (Fed. Cir. 1994) (citing *Blonder-Tongue Labs., Inc. v. Univ. of Ill.*

Found., 402 U.S. 313, 349 (1971)); *Copeland v. Merrill Lynch & Co.*, 47 F.3d 1415, 1423 (5th Cir. 1995). There are "four preconditions for a second suit to be barred" by collateral estoppel:

(1) identity of the issues in a prior proceeding;

(2) the issues were actually litigated;

(3) the determination of the issues was necessary to the resulting judgment; and

(4) the party defending against preclusion had a full and fair opportunity to litigate the issues.

Levi Strauss, 719 F.3d at 1371; *see also Rabo Agrifinance, Inc. v. Terra XXI, Ltd.*, 583 F.3d 348, 353 (5th Cir. 2009); RESTATEMENT (SECOND) JUDGMENTS § 28(5)(c).

In *Blonder-Tongue*, the Supreme Court emphasized that "the requirement of determining whether a party against whom an estoppel is asserted had a full and fair opportunity to litigate is a most significant safeguard." 402 U.S. at 329; *see also Prosise v. Haring*, 667 F.2d 1133, 1141 (4th Cir. 1981) ("[A]mong the most critical guarantees of fairness in applying collateral estoppel is the guarantee that the party sought to be estopped had not only a full and fair opportunity but an adequate incentive to litigate '*to the hilt*' the issues in question." (Emphasis added). The Supreme Court also warned that "[d]etermining whether a patentee has had a full and fair chance to litigate the validity of his patent in an earlier case is of necessity not a simple matter," *id.* at 333, and explained:

> In addition to the considerations of choice of forum and incentive to litigate mentioned above, certain other factors immediately emerge. For example, if the issue is nonobviousness, appropriate inquiries would be whether the first validity determination purported to employ the standards announced in *Graham v. John Deere Co., supra*; whether the opinions filed by the District Court and the reviewing court, if any, indicate that the prior case was one of those relatively rare instances where the courts wholly failed to grasp the technical subject matter and issues in suit; and whether without fault of his own the patentee was deprived of crucial evidence or witnesses in the first litigation.

Id. (emphasis added).

In accordance with these principles, the Supreme Court has made clear that "[r]edetermination of issues is warranted if there is reason to doubt the quality, extensiveness, or fairness of procedures followed in prior litigation." *Montana v. United States*, 440 U.S. 147, 164 n.11 (1979); *see also Copeland*, 47 F.3d at 1423 ("Collateral estoppel is unavailable when a 'new determination of the issue is warranted by differences in the quality or extensiveness of the procedure followed in the two courts."); *accord Innovad, Inc. v. Microsoft Corp.*, 260 F.3d 1326, 1334 (Fed. Cir. 2001); *Lindsey v. Prive Corp.*, 161 F.3d 886, 891 (5th Cir. 1998).

Because issue preclusion can cut short the analysis of an issue, its application is warranted "only in defined circumstances, reflecting the need to avoid depriving litigants" of their day in court. *Levi Strauss*, 719 F.3d at 1371; *Copeland*, 47 F.3d at 1423. And, as the Fifth Circuit stated in *Copeland*, "the district court has broad discretion to determine when collateral estoppel, particularly the type of offensive collateral estoppel at issue here, should be applied to preclude litigation of an issue." *Copeland*, 47 F.3d at 1423.

Further, the presence of inconsistent verdicts weighs heavily against a finding of collateral estoppel. In *Hardy v. Johns-Manville Sales Corp.*, 681 F.2d 334, 345-346 (5th Cir. 1982), the Fifth Circuit, citing *Parklane Hosiery v. Shore*, 439 U.S. 322, 330-331 (1979), noted that "collateral estoppel is unfair to a defendant if the judgment relied upon as a basis for the estoppel is itself inconsistent with one or more previous judgments in favor of the defendant." *See also Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 711 (Fed. Cir. 1983) (prior inconsistent decisions serve "as a 'red flag warning' … to apply the full and fair criteria very carefully"); *see* 18A WRIGHT, MILLER & COOPER, FEDERAL PRACTICE & PROCEDURE § 4465.2 (2d ed. 2002) ("The existence of inconsistent prior judgments is perhaps the single most easily identified factor that suggests strongly that neither should be given preclusive effect….").

Ultimately, the decision to apply collateral estoppel "will necessarily rest on the trial courts' sense of justice and equity." *Blonder-Tongue*, 402 U.S. at 334.

B. The Federal Circuit Panel's *Sua Sponte* Determination Deprived Soverain of a Full and Fair Opportunity to Litigate Obviousness

During its appeal, adjudicated infringer Newegg repeatedly argued that the jury should have considered the conflicting evidence of obviousness, and repeatedly requested only a new trial on obviousness. In fact, Newegg titled the relevant section of its brief as "THE DISTRICT COURT ERRED BY REFUSING TO SUBMIT OBVIOUSNESS TO THE JURY." And, the obviousness issue was one of many issues in the appeal and consumed a small fraction of the briefing, nearly all of which focused on arguing for or against remand for a new trial. It was thus more than reasonable for Soverain to structure its appellate argument as it did.

Because of Newegg's narrow request for relief, Soverain lacked notice that the panel was considering entering judgment as a matter of law against its patents. At worst, thought Soverain, if the Federal Circuit agreed with Newegg, it would remand the proceedings for a jury determination on the obviousness question, which this Court concluded was not a close call. Had it been on notice, Soverain would have fought "to the hilt" to preserve validity. *Prosise*, 667 F.2d at 1141. Instead, facing a limited request for remand and a new trial, Soverain focused its appellate efforts on demonstrating that the judgment could be affirmed without consideration of any disputed facts. Soverain had no incentive to argue for the same relief that Newegg was seeking by pointing to factual disputes underlying obviousness that would have precluded JMOL.

This lack of notice bears directly on the issue of collateral estoppel. The Federal Circuit's *Newegg* decision was functionally equivalent to a *sua sponte* grant of summary judgment without proper notice. The Fifth Circuit has long held that "without notice of an impending grant of summary judgment," a party "has no opportunity to be heard"—"the most fundamental requirement" of our system of justice. *New York Life Ins. Co. v. Brown*, 84 F.3d 137, 143 (5th Cir. 1996). As the Seventh Circuit recently stated in *Smith v. Bray*, 681 F.3d 888, 903 (7th Cir. 2012):

> Along similar lines of basic due process rights, we have often reminded district courts that they may grant summary judgment *sua sponte* only if they have given the affected parties [1] advance notice of their intent to do so and [2] a fair opportunity to respond with argument and evidence.

Accord Bendet v. Sandoz Pharms. Corp., 308 F.3d 907, 912 (8th Cir. 2002); *Thoen v. United States*, 765 F.2d 1110, 1114-1115 (Fed. Cir. 1985). Not only is it well-established that summary judgment without notice denies due process of law, there is no dispute that summary judgment without notice is more than enough to defeat collateral estoppel. *See, e.g., Taylor v. Sturgell*, 553 U.S. 880, 891 (2008) ("The federal common law of preclusion is, of course, subject to due process limitations."). As the Federal Circuit explained in *Pactiv Corp. v. Dow Chem. Co.*, 449 F.3d 1227, 1233-34 (Fed. Cir. 2006), collateral estoppel "may be refused when there is a compelling showing of unfairness or inadequacy in the prior litigation" and without a denial of due process.

Defendants argue at 10 that Soverain should be estopped because it rebutted Newegg's obviousness defense before this Court at trial. To the contrary, this Court's decision to grant Soverain's Rule 50(a) motion for judgment as a matter of law of no obviousness—as well as the PTO's decisions to affirm the patentability of the patents-in-suit after reexamination and the *Avon-Victoria's Secret* jury's validity finding—all serve as a "red flag warning" that Soverain did not have a full and fair opportunity to litigate the issue in *Newegg*.

Defendants argue at 12 that "there can be no dispute that the issue of validity was also fully and fairly before the Federal Circuit on appeal." Not so. Soverain's lack of notice in

Newegg and the panel's *sua sponte* grant of judgment as a matter of law constitute compelling unfairness and inadequacy in the prior litigation. As the following examples demonstrate, if Soverain had been on notice of the Federal Circuit's intent to enter judgment as a matter of law, Soverain would have pointed to the myriad factual disputes underlying obviousness that would have precluded judgment in the first instance on appeal.

For example, as to the shopping cart claims, Soverain argued on appeal that Newegg's witnesses' testimony confirmed that the CompuServe Mall failed to disclose several fundamental elements of the shopping cart claims, including "product identifiers," thus making this Court's JMOL of non-obviousness proper. Dkt. No. 180-6 at 45. Soverain, however, did not go into detail regarding the factual disputes that precluded a determination that CompuServe Mall did disclose those elements. In the absence of such briefing and argument, the Federal Circuit panel erroneously perceived "no[] dispute[]" and thus credited Newegg's witnesses' testimony that the CompuServe Mall order command was a "product identifier." Contrary to the underlying record, the panel observed that it was "not disputed that the CompuServe Mall order command designated a specific product for placement in the buyer's personal holding file, or shopping cart." *Newegg*, 705 F.3d at 1339. "Nor was it disputed," in the panel's mistaken view, "that, regardless of how the order command was structured, it conveyed the requisite information to the CompuServe server computer." *Id.*

In fact, as this Court will recall, Soverain strongly disputed Newegg's theory that CompuServe's order command contained an identification of the product. Had Soverain been given notice that the panel was considering relief other than a remand for a new trial, Soverain would have pointed to extensive evidence distinguishing the claimed product identifier from the prior art order command. As Soverain's expert Dr. Shamos explained, CompuServe did not contain product identifiers because they were unnecessary for—and, in fact, incompatible with—CompuServe's closed system. Dkt. No. 180-11 at 18:21-19:13 (trial testimony). The CompuServe computer was connected to the buyer's terminal via a "one-to-one connection" over a telephone line. *Id*. at 17:14-23. As a result, "anything that CompuServe sent you, it knew what it had sent you. And anything that you sent back, by way of characters over the telephone line, it knew from whom they were coming." *Id*. When a customer using CompuServe pressed "O" and "return"—the order command—the CompuServe system understood the product request because it knew what was displayed on that customer's screen. According to Dr. Shamos:

> Yes. So, for example, here I think there was testimony about this – this particular screen in which you were supposed to press 0 on your keyboard if you would like [to] purchase the item that's currently being displayed.
>
> So what's being displayed here is the book Moby Dick, and if you press 0 to purchase, then what happens is that message, and every message that you send to CompuServe, comes in over that telephone line.
>
> And so here, if you actually want to purchase the book and you hit the 0 key, then the letter 0 is sent to the CompuServe mainframe. I think Mr . Trevor testified it was actually the letter 0 followed by the carriage return character. Those two characters would be sent to the CompuServe mainframe, and it knew that you wanted to order Moby Dick, not because you said that in the message, but because it had previously sent you a screen that said Moby Dick.

Id. at 17:25-18:17; *see also id*. at 28:3-8 ("This is further explanation of why that particular claim limitation isn't met. There's no shopping cart message with a product identifier. The only thing the client terminal sent was an order command. There was no product identifier, and there was no need to have a product identifier."). Accordingly, CompuServe did not need or contain product identifiers. By contrast, the claimed systems require product identifiers that allow them to process simultaneous purchase requests from multiple customers, and thus, to operate on the Internet.

Similarly, Soverain's argument on the hypertext statement claims focused exclusively on a list of elements that Soverain argued CompuServe Mall failed to disclose, likewise confirming the propriety of this Court's JMOL of non-obviousness. Relying extensively on Tittel's testimony, the *Newegg* panel found that the hypertext statement claims were obvious because "[t]he CompuServe server recorded and transmitted purchase information, and provided a 'confirmation number' from which buyers could 'get all the information about that transaction that you might ever need.'" *Newegg*, 705 F.3d at 1343.

Contrary to this appellate-level finding—which Soverain would have disputed if given the chance—Dr. Shamos testified that the functionality of the CompuServe "confirmation number" is "not close" to that of the "hypertext statement" claims:

> Q: So let's now turn to the claims that are involved in the hypertext statements. And those are 41 and 61 of the '492. What's your conclusion on that?
>
> A: Well --
>
> Q: And whether those were present in the CompuServe Mall.
>
> A: I think the content of most of those claims is not disclosed by the references that -- that Mr. Tittel discussed. I think the way he handled it was he put a claim limitation up on the screen, and then flashed some kind of quotation from some reference next to it, and then quickly put a checkmark next to the element showing that it -- he believed it was present. But if you actually read the quotations that he put up there, they don't show that. So, for example, in CompuServe, the way in which you checked the status of an order was you would have to call up the merchant on the telephone and ask the merchant, Where's my order?
>
> Another alternative was you could send an e-mail message to the merchant through CompuServe, and then the merchant would go through some process to look up your status and then send you an e-mail back indicating what your status was. That is not close to what is claimed in the hypertext -- in those hypertext claims.
>
> Q: In the hypertext claims, there's a need for a hypertext for transaction statement; is that true?

A: … Yes. There has to be a transaction statement, and there are transaction detail hyperlinks.

Q: Right. And none of those were present in CompuServe?

A: Not close.

Dkt. No. 180-11 at 34:16-36:1. The hypertext statement claims require an automated system for providing customers with (1) information about past purchases and (2) hyperlinks to detailed information about specific transactions. *Id*. at 37:1-16. Dr. Shamos provided extensive testimony that CompuServe did not provide online access to customer information, nor did it suggest providing transaction statement documents that are hyperlinked to selected transaction record details. *Id*. at 37:17-39:18. At the very least, there was a dispute between the parties' experts on whether the elements of the hypertext statement claims were disclosed by CompuServe. *Id.* at 34:23-25 (Shamos testifying that "the content of most of those claims is not disclosed by the references that … Mr. Tittel discussed"). Because Newegg was not asking for JMOL, Soverain had no reason even to present that dispute to the panel.

Very critically, Soverain did not focus on the credibility of Newegg's expert witness Tittel—a classic jury issue—during the *Newegg* appeal. *Perry v. New Hampshire*, 132 S. Ct. 716, 723 (2012) ("'Our legal system … is built on the premise that it is the province of the jury to weigh the credibility of competing witnesses.'"). In its decision, the Federal Circuit repeatedly cited Tittel's trial testimony to support its findings. *See, e.g., Newegg*, 705 F.3d at 1338 ("Tittel explained that…"), 1343 (same), 1345 (same). Had Soverain known that the panel would rest its *sua sponte* determination squarely on Tittel's shoulders, Soverain would have pointed to evidence showing that Tittel was thoroughly discredited during cross-examination. For example, Tittel admitted on cross-examination that he did not compare each element of the claims to the prior art in preparing his invalidity report:

Q: And didn't you also fail to follow an element-by-element approach in analyzing the claims in that report?

A: I paid attention to the elements in the claim. When I worked through the initial set of materials for my expert report, I looked at all the claims, but I only ended up focusing on those claims where I felt there was some chance of making an argument against them.

Q: My question is, did you prepare an element-by-element comparison

A: No.

Q: --of the claims to the prior art?

A: No, sir, I did not.

Q: You didn't do that, right?

A: No, sir.

Q: That's something you might do if you had to do this again?

A: Perhaps, yes.

Dkt. No. 180-10 at 45:3-20: Tittel further admitted that he did not apply the district court's claim construction in preparing his report. *Id*. at 49:2-12. Tittel also admitted he did not review the prosecution history or references considered by the PTO when drafting his report. *Id*. at 49:12-20. These admissions undermine the credibility and weight of Tittle's trial testimony. But because Soverain was seeking to affirm JMOL of non-obviousness by relying on Tittel's failure to establish that certain claim elements were *prima facie* present, Soverain had no reason to brief his lack of credibility or cite his discrediting testimony to the Federal Circuit.

Defendants also claim at 13-14 that estoppel applies because the Federal Circuit and the Supreme Court have "already rejected" Soverain's pleas to correct the *Newegg* decision. But Soverain's petition for rehearing and rehearing *en banc* were no substitute for a full and fair opportunity to litigate obviousness on appeal. "A 'full and fair opportunity to litigate' a particular issue includes a party's ability to appeal." *Innovad*, 260 F.3d at 1334. But because an appellate panel—not a district court—granted *sua sponte* judgment without notice, Soverain had no opportunity for plenary appellate review of Newegg's JMOL award. Instead, Soverain's opportunity to obtain review at that point was narrowly circumscribed by the special requirements for obtaining *en banc* rehearing. *See* FED. CIR. INTERNAL OP. P. 13. And Soverain's petition for panel rehearing and briefing was granted only for the limited purpose of clarifying the status of one claim. Soverain thus faced "significant procedural limitations in the prior proceeding"—a key factor in "determining whether a party has had a 'full and fair' opportunity to litigate an issue." *Banner*, 238 F.3d at 1354 (citing 18 WRIGHT & MILLER § 4423 at 216-226 (1981)); *see* RESTATEMENT (SECOND) JUDGMENTS § 29(2) (discussing "procedural opportunities in the presentation and determination of the issue that ... could likely result in the issue being differently determined"); *id.* § 29 cmt. d ("plenary as distinct from summary hearing").

In sum, the *Newegg* decision is not the silver bullet Defendants think it is, and the Federal Circuit panel's decision to grant unasked-for relief denied Soverain a full and fair opportunity to litigate the issue of obviousness. Thus, collateral estoppel is inappropriate under these unusual circumstances.

VI.
Defendants Have Not Met Their Burden to Prove Invalidity by Clear and Convincing Evidence

In the absence of collateral estoppel, Defendants cannot meet their burden to prove that the Asserted Claims are obvious as a matter of law. Indeed, the absence of collateral estoppel necessarily means that the issue of obviousness must be relitigated. RESTATEMENT (SECOND) JUDGMENTS § 28. Defendants argue at 14 that "Soverain can provide no legitimate reason why this Court should substitute its own opinion on obviousness for that of a unanimous panel of the Federal Circuit in *Newegg*." As an initial matter, Soverain does not ask this Court to substitute its own judgment for that of the *Newegg* panel. Rather, Soverain seeks to have the preconditions of *Blonder-Tongue* applied under these highly aberrant circumstances. Further, Defendants ignore that the bulk of the Asserted Claims have not been before or addressed by the *Newegg* panel. Defendants cannot avoid the obviousness analysis demanded by *Graham v. John Deere Co.*, 383 U.S. 1 (1996) by arguing that the *Newegg* panel's decision on a handful of asserted claims extends to every claim in the patents-in-suit—asserted, adjudicated, or otherwise. And they certainly cannot meet their summary judgment burden without providing any FRCP 56(c) evidence in support, as Defendants fail to do for 24 Asserted Claims.

A. Soverain Is Entitled to Trial on Claims 34, 35, and 51 of the '314 Patent

In the absence of collateral estoppel, Soverain is entitled to move forward on claims 34, 35, and 51 of the '314 Patent, and Defendants have not met their burden to prove obviousness by clear and convincing evidence. In fact, they have provided zero evidence of obviousness of these claims. Defendants apparently feel that their failure to cite any evidence should be excused because claims 34, 35, and 51 are obvious "for the same reasons that the Federal Circuit found them obvious as a matter of law in *Newegg*" because of *stare decisis*. Motion at 15.

As the Federal Circuit has warned, however, "the doctrine of *stare decisis* is generally an inappropriate one in patent litigation." *Stevenson*, 713 F.3d at 711. In *Stevenson v. Sears, Roebuck & Company*, the patentee argued that the defendant should be collaterally estopped from asserting invalidity of the patents because the CCPA (the Federal Circuit's predecessor) had previously held the patent valid. *Id*. at 710. The Federal Circuit disagreed under *Blonder-Tongue* because Sears was not a party to the earlier CCPA action. *Id*. The patentee also argued that "under the doctrine of *stare decisis*, [the Federal Circuit was] bound by the CCPA's prior holding of validity." *Id*. at 711. The Federal Circuit disagreed:

> *Blonder-Tongue* dictates that our function here is not to decide the "validity" or invalidity of a patent, but to decide whether the patentee should be collaterally estopped. Thus, our scope of review is limited to deciding whether the patentee had a full and fair opportunity to litigate the validity of his patent in the prior unsuccessful suit.

Id. Here, as in *Stevenson*, the question is not one of *stare decisis*, but whether Soverain had full and fair opportunity to litigate the obviousness of its patents. As demonstrated above, the answer is no, and thus, claims 34, 35, and 51 are not obvious as a matter of law.

B. Defendants' Word Play Cannot Support Summary Judgment on the Remaining Claims

In its March 17, 2014 Notice of Asserted Claims, Soverain stated: "Assertion of many claims disclosed in Soverain's October 3, 2012 P.R. 3-1 Infringement Contentions rises or falls based on the collateral estoppel effects of the Federal Circuit's January 22, 2013 decision in *Soverain Software LLC v. Newegg Inc*., 2011-1009." Dkt. No. 156 at 1 (emphasis added). Defendants pluck this statement from its context and argue that "Soverain's own admission that these 24 additional claims are similar enough to 'fall' if collateral estoppel applies, standing alone, supports a finding of their obviousness by this Court." Motion at 15. Defendants mischaracterize Soverain's Notice. Soverain's Notice unambiguously tied assertion of certain claims to a collateral estoppel ruling. Soverain did not, as Defendants contend, suggest that the additional 24 claims were "similar enough" to warrant summary judgment without collateral estoppel.

Defendants' argument boils down to a paragraph of vague generalities and overbroad and inaccurate descriptions of the claims and how they "are part of the same subjection matter and suffer the same fatal flaws" as the claims discussed in the *Newegg* opinion. Motion at 16. Defendants again take *Newegg's* holding too far. These are different claims with different elements. Worse, Defendants again cite no summary judgment evidence and rely on nothing more than attorney argument to explain away the differences between the 24 claims and those at issue in *Newegg*.

Whatever the effect of the *Newegg* decision, it certainly did not change the standard for finding obviousness on summary judgment or obviate the requirement for competent summary judgment evidence. Whether claimed subject matter would have been obvious requires examination of (1) the scope and content of the prior art, (2) the differences between the claimed invention and the prior art, (3) the level of ordinary skill in the art, and (4) any relevant secondary considerations. *TriMed, Inc. v. Stryker Corp.*, 608 F.3d 1333, 1341 (Fed. Cir. 2010). Summary judgment of obviousness is appropriate if "the content of the prior art, the scope of the patent claim, and the level of ordinary skill in the art are not in material dispute, and the obviousness of the claim is apparent in light of these factors." *Id*. Here, there are material disputes between the parties regarding at least the content of the prior art and the scope of the claims.

For example, Defendants contend that claims 36-38 and 65 of the '314 Patent "specify the order or content of messages for the shopping cart or hypertext statement functionality." In actuality, claim 37 discloses a buyer computer "programmed to transmit a fetch shopping cart request to said payment computer in response to receipt of said request from said user." Claim 38 discloses:

> A network-based sales system in accordance with claim 37, wherein:
>
> said payment computer is programmed to respond to said fetch shopping cart request by transmitting a message to said buyer computer indicating said plurality of products added to said shopping cart; and
>
> said buyer computer is programmed to display said plurality of products added to said shopping cart.

This Court construed "fetch shopping cart request" in the *Amazon* litigation as "a service request to retrieve a shopping cart." Defendants cite no evidence that the CompuServe system allowed for "service requests" of any kind and no evidence regarding CompuServe's ability to respond to a fetch request indicating a plurality of products added to said shopping cart. Claim 65 discloses that the "shopping cart URL comprises a merchant identifier." Dr. Shamos testified during the *Newegg* trial that CompuServe lacked URLs, Dkt. No. 180-11 at 34, and while the Federal Circuit noted that "Open Market did not invent the Internet, or hypertext, or the URL," 705 F.3d at 1344, there is no evidence that CompuServe (or any other purported prior art) disclosed a "shopping cart URL" comprising a "merchant identifier."

Similarly, claims 61 and 121 of the '314 Patent disclose a network-based sales system and method "wherein the shopping cart URL comprises a domain identifier." The Federal Circuit did not address anything remotely akin to a shopping cart URL with a domain identifier. Indeed, Defendants themselves do not try to capture the scope of claims 61 and 121 using their vague descriptions. Motion at 17.[6]

"[A] moving party seeking to invalidate a patent at summary judgment must submit such clear and convincing evidence of invalidity so that no reasonable jury could find otherwise. *Eli Lilly and Co. v. Barr Labs., Inc.,* 251 F.3d 955, 962 (Fed. Cir. 2001) (emphasis added). FRCP 56(c) makes clear that a party asserting that a fact cannot be disputed must support its assertion by "citing to particular parts of materials in the record, including depositions, documents, electronically stored information, affidavits or declarations, stipulations (including those made

[6] In *Ohio Willow Wood Co. v. Alps South, LLC*, 735 F.3d 1333, 1342 (Fed. Cir. 2013), cited by Defendants, there was no dispute that the asserted claims of the patent in suit were "substantially similar" to the claims of the invalidated patent. Further, the patentee failed to explain the differences in claim scope that altered the invalidity determination. Here, the asserted claims are not substantially similar to the adjudicated claims and the additional limitations of each asserted claim at least raise a fact issue as to the invalidity of those claims.

for purposes of the motion only), admissions, interrogatory answers or other materials." In other words, there must be some evidence to support summary judgment. Here, there is none.

C. Summary Judgment Does Not Apply to Soverain's Additional Claims

In its March 17, 2014 Notice, Soverain disclosed that it may seek leave to assert claim 1 of the '314 Patent and claims 5, 10, 30, 33, 34, 38, 90, 91, 104, 105, 106, and 108 of the '314 Patent against the Defendants. Dkt. No. 156 at 4-5. Defendants' Motion identifies these claims and agrees that Soverain may seek leave of this Court to assert these additional claims, but provides no evidence or argument regarding their validity. Motion at n.3. Accordingly, these claims are not within the scope of Defendants' motion and summary judgment is inapplicable.

VII. Conclusion

Because Soverain lacked full and fair opportunity to oppose the panel's *sua sponte* grant of judgment as a matter of law, collateral estoppel should not apply. What's more, Defendants do not cite a single piece of summary judgment evidence to support their contention that the asserted claims are invalid as a matter of law in the absence of collateral estoppel. "Similar enough" is not the standard for summary judgment. And, until this Court construes the disputed claim terms in the six "Elected Claims," summary judgment is unquestionably improper.

Defendants' motion for summary judgment should be denied.

DATED: May 15, 2014 Respectfully submitted,

By: /s/ *John P. Lahad*
T. John Ward, Jr.
State Bar No. 00794818
jw@wsfirm.com
J. Wesley Hill
State Bar No. 24032294
wh@wsfirm.com
Claire Abernathy Henry

State Bar No. 24053063
claire@wsfirm.com
WARD AND SMITH LAW FIRM
111 W. Tyler St.
Longview, Texas 75601
Telephone (903) 757-6400
Facsimile (903) 757-2323

Max L. Tribble, Jr. – Lead Counsel
State Bar No. 20213950
mtribble@susmangodfrey.com
John P. Lahad
State Bar No. 24068095
jlahad@susmangodfrey.com
SUSMAN GODFREY L.L.P.
1000 Louisiana Street, Suite 5100
Houston, Texas 77002
Telephone: (713) 651-9366
Facsimile: (713) 654-6666

Justin A. Nelson
State Bar No. 24034766
jnelson@susmangodfrey.com
SUSMAN GODFREY L.L.P.
1201 Third Ave, Suite 3800
Seattle, WA 98101
Telephone: (206) 516-3880
Facsimile: (206) 516-3883

Kalpana Srinivasan
CA State Bar No. 237460
ksrinivasan@susmangodfrey.com
SUSMAN GODFREY L.L.P.
1901 Avenue of the Stars, Suite 950
Los Angeles, CA 90067
Telephone: (310) 789-3100
Facsimile: (310) 789-3150

Michael C. Smith
State Bar No. 18650410
SIEBMAN, BURG, PHILLIPS & SMITH L.L.P.
113 East Austin St.
P.O. Box 1556
Marshall, Texas 75671
Telephone: (903) 938-8900
Facsimile: (903) 767-4620
michaelsmith@seibman.com

S. Calvin Capshaw
State Bar No. 03783900
Elizabeth L. DeRieux
State Bar No. 05770585
CAPSHAW DERIEUX, LLP

1127 Judson Road, Suite 220
P. O. Box 3999
Longview, Texas 75601-5157
Telephone: (903) 236-9800
Facsimile: (903) 236-8787
ccapshaw@capshawlaw.com
ederieux@capshawlaw.com

Attorneys for Soverain Software LLC

CERTIFICATE OF SERVICE

The undersigned hereby certifies that all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3) on May 15, 2014.

/s/ John P. Lahad